

**REPORT OF THE AUDIT OF THE  
CHRISTIAN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CHRISTIAN COUNTY CLERK**

**For The Year Ended  
December 31, 2005**

The Auditor of Public Accounts has completed the Christian County Clerk's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Christian County Clerk had total revenues of \$11,713,086, which was a \$245,201 increase from the prior year. Except for reimbursed expenditures in the amount of \$84,483 and fiscal court contributions of \$27,869, the clerk paid 25% of revenues to the Christian County Fiscal Court in the amount of \$274,722. This was an increase of \$222 from the prior year. In addition, expenditures increased by \$223,426.

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities as of December 31, 2005. However, as of April 5, 2005, \$250,136 of the County Clerk's deposits were uninsured and unsecured.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive  
Honorable Michael A. Kem, Christian County Clerk  
Members of the Christian County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Christian County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2005. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2006 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Steve Tribble, Christian County Judge/Executive  
Honorable Michael A. Kem, Christian County Clerk  
Members of the Christian County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Christian County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 10, 2006



CHRISTIAN COUNTY  
MICHAEL A. KEM, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State Fees For Services	\$	23,539
Fiscal Court		27,869
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	1,445,040
Usage Tax		5,670,483
Tangible Personal Property Tax		3,208,780
Other-		
Marriage Licenses		37,398
Occupational Licenses		6,125
Beer and Liquor Licenses		9,275
Deed Transfer Tax		200,530
Delinquent Taxes		602,052
		11,179,683
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts		37,129
Real Estate Mortgages		122,932
Chattel Mortgages and Financing Statements		190,872
Powers of Attorney		4,894
All Other Recordings		98,390
Charges for Other Services-		
Candidate Filing Fees		1,800
Copywork		10,966
		466,983
Other:		
Clerk Lien Fees		10,140
Clerk Returned Check Fees		1,050
Overages/Shortages		(128)
County Attorney- Returned Check Fees		175
Interest Earned		546
Vehicle Inspection - Sheriff's Fees		275
Miscellaneous Deposits		2,111
Debit Card Transactions Fees		843
		15,012
Total Revenues		11,713,086

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY  
MICHAEL A. KEM, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2005  
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,129,406	
Usage Tax	5,500,370	
Tangible Personal Property Tax	1,112,460	
Licenses, Taxes, and Fees-		
Delinquent Tax	102,949	
Legal Process Tax	<u>58,496</u>	\$ 7,903,681

Payments to Fiscal Court:

Tangible Personal Property Tax	266,298	
Delinquent Tax	88,560	
Deed Transfer Tax	190,500	
Occupational Licenses	4,930	
Beer and Liquor Licenses	<u>8,735</u>	559,023

Payments to Other Districts:

Tangible Personal Property Tax	1,701,716	
Delinquent Tax	<u>265,247</u>	1,966,963

Payments to Sheriff 11,946

Payments to County Attorney 81,913

Other Expenditures:

Bank Fees and Charges	4,685	
Miscellaneous	<u>512</u>	<u>5,197</u>

Total Expenditures \$ 10,528,723

Net Revenues 1,184,363

Payments to State Treasurer:

75% Operating Fund	909,246	
25% County Fund	<u>274,722</u>	1,183,968

Payment to County Treasurer February 1, 2006 395

Balance Due at Completion of Audit \$ 0

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY  
MICHAEL A. KEM, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2005

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2005	\$ 212,634	\$	\$ 212,634
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	909,246		909,246
Fees Paid to State - County Funds (25%)		274,722	274,722
Total Funds Available	1,121,880	274,722	1,396,602
<u>Expenditures</u>			
Christian County Government		274,722	274,722
Personnel Services-			
Official's Statutory Maximum	86,234		86,234
Official's Expense Allowance	3,600		3,600
Official's Training Incentive	3,194		3,194
Deputies' Salaries	395,845		395,845
Part Time Salaries	341		341
Employee Benefits-			
Employer's Share Social Security	34,488		34,488
Employer's Share Retirement	42,277		42,277
Employer's Paid Health Insurance	138,019		138,019
Contracted Services-			
Advertising	323		323
Printing and Binding	1,760		1,760
Data Processing Services	1,441		1,441
Computer Software Development	227		227
Maintenance Agreements	4,026		4,026
Equipment Repair	376		376
Rentals	653		653
Other Contracted Services	31,012		31,012
Supplies and Materials-			
Office Supplies	13,507		13,507
Data Processing Supplies	9,355		9,355

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY  
MICHAEL A. KEM, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
For The Year Ended December 31, 2005  
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-			
Conventions and Travel	\$ 5,009	\$	\$ 5,009
Memberships	5,175		5,175
Postage	13,253		13,253
Dues and Subscriptions	171		171
Periodicals	501		501
Telephone and Internet	2,033		2,033
Uniforms	676		676
Miscellaneous	80		80
Insurance	3,910		3,910
Capital Outlay-			
Data Processing Equipment	10,327		10,327
Office Equipment	2,568		2,568
Furniture and Fixtures	9,081		9,081
Total Expenditures	819,462	274,722	1,094,184
Fund Balance - December 31, 2005	\$ 302,418	\$ 0	\$ 302,418

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2005

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

CHRISTIAN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005  
(Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CHRISTIAN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005  
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of April 5, 2005, \$250,136 of public funds were exposed to custodial credit risk as follows:

- Uninsured and Unsecured      \$250,136

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive  
Honorable Michael A. Kem, Christian County Clerk  
Members of the Christian County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Christian County Clerk for the year ended December 31, 2005, and have issued our report thereon dated October 10, 2006. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Christian County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Christian County Clerk's financial statements as of December 31, 2005, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 10, 2006

